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*"Copper coins are wanting in America for small change. We have none but those of the King of England."*

# FRANKLIN AND THE BANK OF NORTH AMERICA

By

Eric P. Newman, A.N.A. No. 4624

IT WAS Benjamin Franklin's idea for the Bank of North America in 1789 to issue bank notes with denominations of 1/90th of a dollar and 3/90ths of a dollar. These small change bills not only constitute the oldest bank note issue in America of which issued examples remain, but no other bank has ever issued notes in either of these odd denominations. As will be subsequently shown this is one more example of Franklin's originality in finding a solution to a practical problem.

The story of the Bank of North America is interwoven with Franklin's helpfulness. As the Revolutionary War was drawing to a close and the Continental currency had lost its purchasing power Robert Morris with a few others obtained capital and loans in 1780 for an organization, informally known as the "Pennsylvania Bank," to handle the purchase of provisions to be stored for and supplied to the Continental army. Since purchases could only be made for specie Congress was to repay proper amounts as funds were obtained. The successful operation of this enterprise was one of the reasons leading to the appointment of Morris as Superintendent of Finance on Feb. 20, 1781. Alexander Hamilton promptly urged the creation of a national bank and the plan for the organization of the Bank of North America was submitted by Morris to Congress on May 17, 1781. Its bank notes were to have the same status as specie and were to be acceptable for duties and taxes due the United States. A copy of the plan was sent by Morris to Franklin at Passy, France, asking him to contact eminent bankers in Paris as to the credit they would grant such a bank. Capital for the bank came from many persons including the investors in the "Pennsylvania Bank" organization and the Bank of North America was incorporated Dec. 31, 1781, by the Continental Congress as a federal corporation.

To reinforce the bank's authority it was also incorporated in Pennsylvania, New York and Massachusetts and its bank notes were declared receivable for taxes in Connecticut. Although its bank notes at first passed at a discount of 10% to 15% below specie they were soon accepted at par.

The success of the bank and its earnings for its stockholders started a movement in Pennsylvania to take away its franchise and after a prolonged political struggle Pennsylvania revoked the bank's Pennsylvania charter on Sept. 13, 1785. On the next day Franklin was enthusiastically welcomed on his return to Philadelphia from France after completing his work as American minister during the Revolutionary War. Franklin promptly began to help the bank reinstate the charter because he believed it benefited the public. He opened an account in the bank and bought eight shares of its stock, overdrawing his account to do so. Franklin was elected President of Pennsylvania and combined his influence with the efforts of the Anti-

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Constitutionalists to bring about a restoration of the charter on March 17, 1787.

Franklin's next suggestion for the welfare of the bank and for the public took place during the copper panic of 1789. The Spanish dollar had an exchange value of seven shillings six pence or 90 pence in Pennsylvania currency or money of account. A penny in Pennsylvania currency was therefore equivalent to 1/90th of a Spanish dollar. The only small coins in circulation in Pennsylvania were New Jersey and Connecticut coppers and genuine and counterfeit English halfpence, all of which first circulated at 15 to the shilling of Pennsylvania currency (four-fifths pence each), but during 1788 dropped to 24 to the shilling (one-half pence each). They continued to glut the market until the middle of 1789 when they became unacceptable, their circulation as coin stopped and small trade was paralyzed.

Franklin suggested a solution to his son-in-law, Richard Bache, who was on the board of directors of the Bank of North America. The minutes of the bank for August 6, 1789 states:

Mr. Richard Bache moved upon the recommendation of Dr. Benjamin Franklin, that this bank should now issue small tickets or notes, to supply the call of the public for change during the present interruption to the circulation of copper coin, and presented a sheet of paper of a very peculiar fabric, as most suitable for the purpose – of which paper the Doctor had only two reams, which he would spare the bank for this particular use.

Whereupon the board resolved that Benjamin F. Bache print a number of tickets of the denomination of three ninetieths of a dollar equal to

THREE PENCE Specie.
The President, Directors and Company of the BANK of North-America promise to pay to the Bearer, on Demand, THREE NINETIETHS of a DOLLAR.
August 6, 1789. A
TENCH FRANCIS, Cashier.
THREE PENCE Specie.
Three Pence Sp.
Printed by B. F. BACHE.
The President, Directors and Company of the Bank of North-America promise to pay to the Bearer, on demand, One Ninetieth of a Dollar. A
August 6, 1789.
Tench Francis, Cashier.
One Penny Specie.
One PENNY Specie.

**Bank of North America notes of 1/90th and 3/90ths of a dollar suggested by Franklin and printed on paper furnished by him**

three pence specie, and also a number of tickets of the denomination of one ninetieth of a dollar, equal to one penny specie.

The instructions for the printing of the notes or "tickets" by Benjamin Franklin Bache, Franklin's grandson, are as follows:

Bank of North America
August 6, 1789

Sir

Agreeable to a Resolution of a Board of Directors of the Bank of North America this day made, you are requested, and hereby fully authorized to print for the Use of the said Bank a Number of Tickets of the Denomination of Three Ninetieths of a Dollar, equal to three Pence Specie, And a certain number of Tickets of the Denomination of One Ninetieth part of a Dollar, equal to One Penny Specie, by which the Bank promise to pay to the Bearer, on demand, the Sums therein severally mentioned. Each Ticket is to bear date the 6th of August, 1789 – and at the foot of each, the name of *Tench Francis, Cashier* is to be printed. As this Resolution has been taken merely for the public Convenience at this juncture when the Circulation of Copper Coin is suspended, it is hoped the measure will be approved of, and for the Resumption in Specie of such Notes or Tickets as you shall print in pursuance of these Directions, The Bank of North America will hold itself bound.

For the President, Directors & Company of the Bank of North America,
Theo. Willing Pres.

To Mr. Benjamin Franklin Bache.

The two reams of paper which Franklin furnished were sheets about 8 by 10 inches in size, marbled on one surface of the long side. Four type set notes for 3/90th of a dollar (plate letters A, B, C and D) and twelve type set notes for 1/90th of a dollar (plate letters A through M except J) were printed on each sheet. All of the larger denominations had marbling on the reverse similar to the marbling found on the $20 Continental currency of May 10, 1775. A sheet of 13 out of the 16 notes is in the collection of the author, a portion of which showing each denomination is illustrated herewith. It will be noted that the word "specie" is emphasized on both sides of the note.

Franklin in the last year of his life had solved the problem of small change and brought about the issuance of notes which are still redeemable by the successor corporation to the Bank of North America.

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**That body** [i.e. Congress] is, as you suppose, not well skilled in financing. But their deficiency in knowledge has been amply supplied by good luck. They issued an immense quantity of paper bills to pay, clothe, arm, and feed their troops, and fit out ships; and with this paper, without taxes for the first three years, they fought and baffled one of the most powerful nations of Europe. They hoped, nothwithstanding its quantity, to have kept up the value of their paper. In this they were mistaken. It depreciated gradually. But this depreciation, though in some circumstances inconvenient, has had the general good and great effect of operating as a tax, and perhaps the most equal of all taxes, since it depreciated in the hands of the holders of money, and thereby taxed them in proportion to the sums they held and the time they held it, which generally is in proportion to men's wealth. Thus, after having done its business, the paper is reduced to the sixtieth part of its original value – Franklin to Thomas Ruston, Oct. 9, 1780.